



Bal Pharma Limited



**22nd Annual Report
2008-2009**



**Preferred Partner In
Quality Health Care**

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**Board of Directors**

Mr. Shailesh Siroya	- Managing Director
Dr. S. Prasanna	- Whole-time Director
Mr. Shrenik Siroya	- Non-executive Director
Dr. G.S.R. Subba Rao	- Independent Director
Mr. Arun Bhan	- Independent Director
Mr. David Rasquinha	- Nominee Director

Company Secretary

Mr. S. Ramji

Registered Office

21 & 22, Bommasandra Industrial Area,
Hosur Road, Bangalore - 560 099

Plant Locations**Unit I : Formulations**

21 & 22, Bommasandra Industrial Area,
Hosur Road, Bangalore - 560 099

Unit II : R & D Centre & Bulk Drugs

61/B, Bommasandra Industrial Area,
Hosur Road, Bangalore - 560 099

Unit III : Parenterals

732/735, Off. National Highway No. 4,
Village Kenjal, Dist. Bhor, Maharashtra.

Unit IV : Formulations plant at Uttarakhand

Plot # 1,2,3 & 69, Sector 4, IIE-Pantnagar,
Rudrapur, Udham Singh Nagar, Uttarakhand - 263 153.

Bankers

Canara Bank
Punjab National Bank
ICICI Bank Limited
EXIM Bank

Statutory Auditors

Ostawal & Jain

Internal Auditors

Ishwar & Gopal

Registrar & Share Transfer Agent

TSR Darashaw Limited,
6-10, Haji Moosa Patrawala Industrial Estate
20, Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011

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NOTICE

NOTICE IS HEREBY GIVEN THAT the 22nd (Twenty Second) Annual General Meeting of the members of Bal Pharma Limited, will be held at 10.30 a.m on Friday the 25th September, 2009 at Bharatiya Vidya Bhavan, Race Course Road, Bangalore 560001 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March, 2009, and the Profit and Loss Account for the financial year ended on that date and the Reports of the Directors and the Auditors thereon;
2. To declare dividend;
3. To appoint a Director in place of Mr. Arun Bhan, who retires by rotation and being eligible, offers himself for re-appointment;
4. To appoint a Director in place of Dr. S. Prasanna, who retires by rotation and being eligible, offers himself for re-appointment;
5. To appoint Auditors and to authorize the Board to fix their remuneration;

SPECIAL BUSINESS :

6. To consider and if thought fit, to pass, with or without modification the following resolution as a Special Resolution:

"RESOLVED THAT subject to all the applicable provisions and Schedules of the Companies Act, 1956 and the rules made thereunder and subject to all applicable clauses of the Memorandum and Articles of Association of the Company, approval of the Shareholders be and is hereby accorded for re-appointment of Mr. Shailesh Siroya as Managing Director of the Company for a further period of 5 (five) years w-e-f 01-08-2009.

FURTHER RESOLVED THAT subject to all the applicable provisions and Schedule XIII of the Companies Act, 1956 and subject to applicable clauses of the Memorandum and Articles of Association of the Company Mr. Shailesh Siroya shall be entitled for a remuneration of Rs. 3 Lakhs (Rupees three Lakhs only) per month inclusive of salary and perquisites but exclusive of the followings for a period of 4 months (w-e-f 01-04-2009 to 31-07-2009):

- (i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent they either singly or put together, are not taxable under the Income Tax Act, 1961.
- (ii) Gratuity payable at a rate not exceeding half months salary for each completed years of service; and
- (iii) Encashment of leave at the end of the tenure.

RESOLVED FURTHER THAT subject to all the applicable provisions and Schedule XIII of the Companies Act, 1956 and subject to applicable clauses of the Memorandum and Articles of Association of the Company Mr. Shailesh Siroya shall be entitled for a remuneration of Rs. 3.5 Lakhs (Rupees three

lakhs and Fifty thousand only) per month inclusive of salary and perquisites but exclusive of the followings for a period of 3 years (w-e-f 01-08-2009):

- (i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent they either singly or put together, are not taxable under the Income Tax Act, 1961.
- (ii) Gratuity payable at a rate not exceeding half months salary for each completed years of service; and
- (iii) Encashment of leave at the end of the tenure".

By order of the Board

Bangalore
27-07-2009

S. Ramji
Company Secretary

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING MAY APPOINT A PROXY TO ATTEND AND ON A POLL TO VOTE ON HIS/HER BEHALF. A PROXY NEED NOT BE A MEMBER.**

Proxy, in order to be effective must be deposited the proxy instrument duly filled, at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting. Proxy Form is forwarded as detachable part of Annual Report.

2. Corporate Members intending to send their authorised representative to attend the meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.
3. For convenience of the Members and for proper conduct of the meeting, entry to the place of meeting will be regulated by an Attendance Slip, which is forwarded as detachable part of Annual Report. Members are requested to affix their signature at the place provided in the Attendance Slip and hand it over at the entrance.
4. The Register of Members and Share Transfer Books of the Company will be closed for 4 (four) days from 22-09-2009 to 25-09-2009 (both days inclusive) for determining the names of the members eligible for Dividend on Equity Shares, if declared at the meeting.
5. Members, who hold Shares in dematerialized form, are requested to bring in their Client ID and DP ID nos. for easier identification of attendance at the meeting and those who hold Shares in physical form are requested to write their folio number in the attendance slip for attending the meeting.
6. A member desirous of getting any information on the accounts or operations of the Company is requested to forward his/her queries to the Company at least 7 days prior to the meeting, so that, the required information can be made available at the meeting.
7. Members holding Shares in physical form are requested to notify immediately any change in their address to the Company's Registrar and Share Transfer Agent, TSR Darashaw Limited. Members holding Shares in electronic form may intimate any such changes to their respective Depository participants (DPs).



8. Members holding more than one share certificate in different folios are requested to kindly apply for consolidation of the folios and send the relative Share Certificates to the Company's Registrar and Share Transfer Agent, TSR Darashaw Limited, 503, Barton Centre, 84, M. G. Road, Bangalore – 560 001.
9. Dividend, if declared, will be paid on or before 24-10-2009 to those members whose names appear on the Company's Register of Members as on the date of 22nd AGM. In respect of Shares held in electronic form, Dividend will be payable on the basis of beneficial ownership, as per details furnished by NSDL and CDSL for this purpose;
10. Members are kindly requested to bring Annual Report 2008-09 along with them to the 22nd Annual General Meeting, since extra copies will not be supplied at the meeting;
11. In order to protect the investors from fraudulent encashment of their Dividend Warrants or Demand Drafts, the Company hereby offers Electronic Clearing Services (ECS) facility to the Shareholders having Bank Accounts at Centers notified for ECS by RBI. RBI is continuously adding more centers for ECS and Members are kindly requested to check with their banker whether their place has been notified by RBI for the purposes of ECS. ECS mandate form is forwarded as detachable part of Annual Report. The Members from the ECS notified centers desirous of payment of dividend through ECS are requested to forward the ECS mandate form duly signed with the required annexure to Company's present Registrar and Share Transfer Agent, TSR Darashaw Limited, Bangalore, on or before 10.09.2009.
12. Pursuant to Section 205A (5) of the Companies Act, 1956, as amended, any money transferred to Unpaid Dividend Account and remaining unclaimed for a period of 7 (seven) years from the date of such transfer to the Unpaid Dividend Account shall be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government, and thereafter, the Shareholders shall not be able to claim any Unpaid Dividend from the said fund or from the Company. The Company has since transferred the amount lying in the credit of Unpaid Dividend Account for the financial year 1999-2000 and 2000-2001 to Investor Education and Protection Fund established by the Central Government as stipulated under Section 205C of the Companies Act, 1956 read with Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001. The Company did not declare Dividend for the financial years 1996-97, 1997-98 and 1998-99. The members who have not encashed the Dividend Warrants for the financial years 2002-2003 onwards are requested to write to, Messrs TSR Darashaw Limited, the Registrars and Share Transfer Agents of the Company.
13. You may now avail of the facility of nomination by nominating, in the prescribed form, a person to whom your Shares in the Company shall vest in the event of death of member. Interested members may write to the Company's Registrar & Share Transfer Agent TSR Darashaw Limited for the prescribed form.

14. Pursuant to SEBI notification no. MED/DOP/Circular /05/2009 dated May 20,2009 it has become mandatory for the transferee (s) to furnish copy of PAN Card to the Company /RTA to enable / effect transfer of shares in physical form;
15. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of item 6 is annexed hereto;

Explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956

Item no. 6

Mr. Shailesh Siroya was appointed as Managing Director of the Company for 5 years with effect from 01-08-2004 and his tenure expired on 31-07-2009.

Considering the following criteria, the Remuneration Committee of the Company has recommended his re-appointment to the Board of Directors:

- a) Performance of the Company under stewardship of Mr. Shailesh Siroya.
- b) His educational back ground.
- c) Immense experience in Corporate Management.
- d) Compensation paid in other comparable Companies.

The remuneration offered by the Share holders for Mr. Shailesh Siroya was up to 31.03.2009. Based on the recommendation of the remuneration Committee Board approved the existing remuneration to Mr. Shailesh Siroya for a period of 4 (four) months (01.04.2009 to 31.07.2009). This requires approval of the Share holders.

Based on recommendation of the remuneration committee, the Board of Directors in their meeting held on 27-07-2009 re-appointed Mr. Shailesh Siroya as Managing Director for a further period of 5 (five) years with effect from 01-08-2009 on the remuneration of Rs. 3.5 Lakhs (Rupees Three Lakhs and Fifty Thousand only) per month inclusive of salary and perquisites which excludes the followings for a period of 3 (three) years with effect from 01-08-2009 subject to approval of Members in General Meeting :

- (i) Contribution to provident Fund, Superannuation Fund or Annuity fund to the extent they either singly or put together, are not taxable under the Income Tax Act, 1961.
- (ii) Gratuity payable at a rate not exceeding half months salary for each completed years of service; and
- (iii) Encashment of leave at the end of the tenure.

The above may be treated as an abstract of the terms of appointment in terms of Section 302 of the Companies Act, 1956

Additional Information relevant to Mr. Shailesh Siroya, Managing Director as per clause B of paragraph I of Section III of para II of Schedule XIII of the Companies Act 1956 is placed as Annexure.

By order of the Board

Bangalore
27-07-2009

S. Ramji
Company Secretary



ADDITIONAL INFORMATION RELEVANT TO MR. SHAILESH SIROYA, MANAGING DIRECTOR, AS PER CLAUSE B OF PARAGRAPH I OF SECTION II OF PART II OF SCHEDULE XIII OF THE COMPANIES ACT, 1956.

GENERAL INFORMATION :

1.	Nature of Industry	Pharmaceutical Industry
2.	Date or expected date of commencement of production	The Company was incorporated on 19-05-1987 as a private limited Company and it commenced commercial production from 1992
3.	Financial performance based on given indicators	For the year ended on 31-03-2009 Turnover and other Income : Rs. 106,55,43,117/- Profit before tax : Rs. 4,05,57,008/- Net worth : Rs. 23,96,82,781/-
4.	Export performance and net foreign exchange collaborations	The Company's Export income was Rs. 36,84,65,586/- in 2008-09 and there was no foreign exchange collaboration
5.	Foreign investment or collaborations if any	Nil

INFORMATION ABOUT THE APPOINTEE

1.	Back ground details	Mr. Shailesh Siroya is the Promoter Director and he holds Masters Degree in Business Administration from Akron University, USA.
2.	Past remuneration	Rs. 3.00 Lakhs per month which was in line with the provisions of Schedule XIII of the Companies Act, 1956.
3.	Job profile and his suitability	Mr. Shailesh Siroya is the Managing Director of the Company with his rich experience; he is the most appropriate person to be at helm of the affairs of the Company.
4.	Remuneration proposed	Rs. 3.5 Lakhs (Rupees Three Lakhs Fifty Thousand) only per month which is in line with the provisions of Schedule XIII of the Companies Act, 1956.
5.	Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be w.r.t the country of his origin)	The proposed remuneration is in line with the other comparable Companies
6.	Pecuniary relationship / relationship with the managerial personnel, if any.	Messrs Desa Marketing International, Bangalore under an agreement with the Company provides Service support for enhancing and promoting business interests of the Company and also sourcing various products for the Company. Mr. Shailesh Siroya is interested in Messrs Desa Marketing International, Bangalore. Approval of the Central Government has been obtained for this Agreement for a period of 3 (Three) years w-e-f 07.06.2008.

OTHER INFORMATION :

1.	Reason of loss or inadequate profit	Severe competition in both domestic and overseas pharmaceutical market.
2.	Steps taken or proposed to taken for improvement	Uttarakhand Formulation plant in Excise free Zone commissioned from January, 2009.
3.	Expected Increase in productivity and profits in measurable terms	With additional capacity of new formulation plant at Uttarakhand, productivity and profitability is likely to be increased by 10%.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING APPOINTMENT AT THE ANNUAL GENERAL MEETING:

Name of the Director	Dr.S. Prasanna	Mr. Arun Bhan
Date of Birth	20/07/1948	07/09/1949
Date of Appointment	06/08/1994	31/05/2005
Qualification	M.Sc, Phd (IISc)	PGDBM (Ireland)
Experience / Expertise	Dr. S. Prasanna has been associated with the Company from the inception. He has Phd in organic Chemistry and extensive exposure as a Research Scientist. He has been heading the R&D centre of the Company.	Mr. Arun Bhan has been working as a Management Consultant for the last several years and is associated with the Company w-e-f 31/05/2005.
Other Directorships	1. Micro Labs Limited - Director 2. Novosynth Research Labs Private Limited - Director	1. Asian Townsville Farms Limited - Director 2. All in one security Systems Private Limited - Director 3. Viswakriya Housing Finance Limited - Director. 4. ATF Satyasagar Private Limited - Director. 5. ATF Pinak City Limited - Director 6. Webtech Solutions Limited - Director 7. E-Xseed Technologies & Devices (P) Limited - Managing Director
Other Committee Memberships in the Company	A) Bal Pharma Limited i) Banking Transaction Committee : - Chairman ii) Remuneration Committee - Member	A) Bal Pharma Limited i) Remuneration Committee - Member
Number of Shares held directly or indirectly	4,200 (0.4%) – Equity Shares	4,000 (0.4%) – Equity Shares

By order of the Board

Bangalore
27-07-2009

S. Ramji
Company Secretary



To The Members

Your Directors have pleasure in presenting the 22nd Annual Report together with the Audited Accounts of your Company for the financial year ended on March 31st, 2009.

1. FINANCIAL RESULTS:

(Rs. in Lakhs)

Particulars	2008-09	2007-08
1) Total Income	10667.67	9092.53
2) Profits before Depreciation and provision for Taxation	598.59	567.19
Less : Depreciation	188.58	163.46
Profits before Taxation and prior year adjustments	410.01	403.73
Less :		
3) Provision for Taxation	3.52	78.98
4) Fringe Benefit Tax	23.47	18.63
5) Deferred Tax	79.30	36.97
6) Extraordinary/ Non Recurring items	-----	-----
7) Prior year adjustment	4.44	110.73 (16.56)
	299.28	285.71
Add:		
8) Profit & Loss Account balance at the beginning of the year	699.32	535.82
9) Profit made available for appropriation	998.60	821.53
Less:		
10) Proposed Dividend on Equity Shares	78.62	-
11) Tax on dividends	13.36 (-) 91.98	17.75 (-) 122.21
12) Balance Carried to Balance Sheet	906.62	699.32

2. DIVIDEND:

In view of the satisfactory results and at the same time keeping in view of the requirements of resources for the expansion, your Directors are pleased to recommend payment of Dividend @ Re.0.75/- per Equity Share of Rs.10/- each (7.5%) against 10 % in the previous year.

3. MANAGEMENT DISCUSSION AND ANALYSIS:

Industry overview and Outlook

GLOBAL PHARMACEUTICAL INDUSTRY SCENARIO:

Health is defined both as a cause and effect of economic development. Therefore, pharmaceutical industry is defined as an essential factor that can contribute to the economic development. In addition it provides significant socio-economic

benefits to the society through creation of jobs, supply chains and through community development. The industry also plays an important role in the technological innovation which may reduce the cost of economic activity elsewhere in the economy. Players in the pharmaceutical industry include branded drug manufacturers, generic drug manufacturers, firms developing bio-pharmaceutical products, non-prescription drug manufacturers, firms undertaking contract research.

The year 2008 witnessed an unprecedented economic downturn across all markets globally. The volatility and uncertainty in the financial environment was exceptionally high and led to sharp fluctuations in the foreign currency rate; However, the Indian pharmaceutical industry does not seem to get affected by this economic recession and is called recession proof industry.

EMERGING TRENDS:

The global pharmaceutical market grew by 5.1 % to reach US\$ 726 billions in 2008. The developed markets, North America, Europe and Japan continued to remain the key markets, accounting 85% of the global sales while North America grew by 1.5% to reach US\$ 312 billions Europe grew by 6.2% to reach US\$ 242 billions and Japan grew by 4.4% to reach US\$ 65 billions. However, the emerging markets like Brazil, México, Asia, Africa and Australia grew by 15% to clock US\$ 72 billions sales.

INDIAN PHARMACEUTICAL INDUSTRY:

The Indian pharmaceutical market has registered an annual growth of 9.8%. The emergence of an organised pharmaceutical retail segment, fast growing medical insurance cover, higher volume of consumption led by economic growth, providing affordability of pharmaceutical products and awareness of modern medicines are the leading factors for the growth. This trend is likely to continue for sometime with respect to Indian market.

Indian market is expected to grow beyond US\$ 25 billions by the year, 2020. The exports from Indian pharmaceutical industry have also continued its upward trend. However, during the year the Indian industry has faced a few observations on regulatory affairs from US-FDA against a few leading players hence the Indian industry would have to address this phenomenon carefully by strengthening its documentation system. The emerging markets such as China, Brazil, Mexico, South Korea, India, Turkey and Russia continue to grow upwards and this provides opportunity for Indian players to look for future growth.

4. BUSINESS OPERATIONS:

The year 2008-09 has been a significant milestone for Bal Pharma Limited as the over all turn over crossed Rs.100 Crores. This puts Bal Pharma amongst the few in the industry. Your Company has achieved an over all turnover of Rs.106.67 Crores as against Rs.90.93 Crores during the past year thus registering a growth



of 17.31% on the top line. Despite the increase in top line, the net profit after tax increased negligibly from Rs. 2.86 Crores to Rs. 2.99 Crores on account of commissioning of the Uttarakhand plant to commercial production from 1st January, 2009.

Your Management intends to take full advantage of the momentum of growth in spite of the slow down in the current economic scenario of the world and it is confident that it would strive to increase the volume of the business with the additional capacities set up.

Your Company's branded formulations business mainly consisting of Diabetic and Cardiac Products made a turn over of Rs. 35 Crores as compared to Rs. 31 Crores last year. Efforts are being infused relentlessly to increase the market share in North India.

The Ayurvedic Division has made a marginal growth of 10% by increasing turn over to Rs. 2.41 Crores from Rs. 2.18 Crores in the previous year. Institutional business made a turnover of Rs. 5.11 Crores and the generic business was revived with turn over touching Rs. 6.05 Crores as compared to Rs. 2.55 Crores in the last year.

The exports formulations division registered a growth of 8.78% by increasing its turnover from Rs. 20.59 Crores in the previous year to Rs. 22.39 Crores in the current year. Your Company expanded its presence in Latin America market and is expected to touch many new markets in the next year.

The bulk drug business both domestic and exports have been very encouraging with the growth of 31.52% as the turn over of the division reached Rs. 29.26 Crores as against Rs. 22.25 Crores in the previous year. Utilization of facility at Basav Chem Limited (wholly owned Subsidiary Company) has also been to its full capacity. Regular supplies of products are made to developed markets such as Europe, Japan, Australia and Canada where products are already registered. Various DMF have been filed across the globe to increase our presence in other markets.

The total direct exports from your Company increased from Rs 32.82 Crores in the previous year to Rs 36.71 Crores in the year showing a growth of 12%.

Uttarakhand Formulation Plant:

The state of art formulation plant designed for regulated market in the excise free zone was completed during the year and the commercial production started from 1st January, 2009. Your Company is now gearing to take this plant into international markets in 24 months.

5. RESEARCH & DEVELOPMENT:

The Research and Development division of Bal Pharma Limited has been continuously working on the development and standardisation of processes leading to a variety of niche pharmaceutical products. The know-how thus developed in house has resulted in the bulk production of a few novel drugs with which the Company has entered the international commercial market.

The pharmaceutical products that have been developed in the R&D division are backed by extensive documentation of a standard to meet stringent requirements of international regulatory authorities. The quality characteristics of the product offered are well defined and are supported by sophisticated analytical methodologies developed for the specific purpose.

A foray has also been made by the R&D Division in the field of development of new chemical entities. The Company has filed for a patent for a new product to protect its Intellectual Property Rights.

Ready acceptance of products developed at Bal Pharma Limited in international pharmaceutical market is a yardstick of the high quality characteristics that the products possess. Application of stringent control measures at each stage of development of any pharmaceutical products provides ample assurance on all parameters of quality.

The R&D Division is also working on introducing new products possessing chiral characteristics to meet the increasing demand for such products in the international commercial market.

6. AUDIT COMMITTEE:

The Audit Committee, a sub-committee of Board consisted of Dr. G S R Subba Rao, Independent Director, Mr. David Rasquinha, Nominee Director of EXIM Bank, and Mr. Shrenik Siroya, Non-Executive Director.

This Committee headed by Dr. G.S.R Subba Rao, has been discharging its duties under SEBI Guidelines read with the Listing Agreement. The said Committee is also functioning as Audit Committee under Section 292A of the Companies Act, 1956.

7. INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY:

Your Company has an adequate system of internal controls with clearly defined authority limits. They ensure that the Company's assets are protected against loss from unauthorised use or disposition and all transactions are authorised, recorded and reported in conformity with generally accepted accounting principles. These systems are designed to ensure accuracy and reliability of accounting data, promotion of operational efficiency and adherence to the prescribed management policies. These policies are periodically reviewed to meet current business requirements.

Internal Audit is carried out by Messrs Ishwar & Gopal an independent firm of Chartered Accountants. They interact with the Audit Committee and have reported to the Directors that there is adequate internal control systems in respect of areas carried out by them.

8. DIRECTORS' RESPONSIBILITY STATEMENT:

In compliance to the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors wish to confirm with reference to statement of Accounts for the financial year ended on 31.03.2009:



- (i) that in preparing the Annual Accounts, all applicable Accounting Standards have been followed;
- (ii) that the accounting policies adopted are consistently followed and the judgements or estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and Loss Account of the Company for the financial year ;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing/detecting fraud and other irregularities;
- (v) that the Directors have prepared the annual accounts on 'going concern' basis.

9. SUBSIDIARY COMPANIES:

The Company has two Wholly Owned Subsidiary Companies as on 31st March, 2009. Statement pursuant to Section 212 of the Companies Act, 1956, relating to Company's interest in Subsidiary Companies is given as Annexure I forming part of the Directors' Report.

Subject to the procedures prescribed under various laws and requisite approvals, your Board of Directors have decided for amalgamation of Basav Chem limited (100% Subsidiary Company) with Bal Pharma limited to reduce the statutory Compliance requirements under various Acts and for closure of Novosynth Research Labs Private Limited

10. PARTICULARS OF EMPLOYEES:

A statement of particulars of employees as required under Section 217(2A) of the Companies Act, 1956, is given as Annexure II and forms part of this report.

11. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND FOREIGN EXCHANGE OUTGO:

As per provisions of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, details relating to the Conservation of Energy and Technology Absorption and Foreign Exchange Earnings and Outgoings are given in Annexure forming part of the Directors Report.

12. PUBLIC DEPOSITS:

As on date of the Report, the Company has not accepted any public deposits.

13. DIRECTORS:

As on date, your Board consists of 6 Directors, 3 of whom are Non-Executive Directors and of which 2 are Independent Directors. 1 of who is Nominee Director of Exim Bank. 2 of who are Executive Directors. Dr. S. Prasanna and Mr. Arun Bhan Rao retire by rotation at the 22nd Annual General Meeting

of the Company and are being eligible, offer themselves for reappointment. Your Directors have pleasure in recommending their reappointment.

14. AUDITORS:

Messrs Ostawal & Jain, Chartered Accountants, Auditors of the Company, retire at the Annual General Meeting and are eligible for re-appointment.

15. COST AUDIT:

Pursuant to Section 233B of the Companies Act, 1956, the Central Government has prescribed Cost Audit of the Company's Formulations Division.

Subject to the approval of the Central Government, the Board has appointed Mr. G.I. Srinivasamurthy as Cost Auditor of the Company for the financial year, 2008-09. The Cost Audit is under process and the Company will submit the Cost Auditors' report to the Central Government in time.

16. EMPLOYEE STOCK OPTION SCHEME:

Pursuant to the provisions of Guideline 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999, as amended, the details of stock options as on 31st March, 2009 under the "Bal Pharma Limited Employees Stock Option Scheme, 2006" is set out in the Annexure – III to the Directors Report.

17. CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION TO SHARE HOLDERS:

A detailed report on the Corporate Governance System and practices of the Company are given in a separate section in this Annual Report. Detailed information for the Shareholders is given in Additional Shareholders information section.

18. INSURANCE COVERAGE:

The Board reports that your Company has adequately insured all the assets of the Company.

19. APPRECIATION:

The Directors place on record their appreciation of the co-operation and guidance provided by Canara Bank, Punjab National Bank, Exim Bank, ICICI Bank, State Bank of Indore and other Banks and financial institutions, members of the medical profession, customers, suppliers and other business associates. Your Directors also place their appreciation of the good work rendered by all the employees. The Directors express their gratitude to all Shareholders for the confidence reposed in the Management.

For and on behalf of the Board of Directors

Bangalore
27th July, 2009

Dr. S. Prasanna **Shailesh Siroya**
Director Managing Director

**ANNEXURE TO THE DIRECTORS' REPORT****ANNEXURE I**

Information under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, and forming part of Directors' Report for the financial year ended on 31st March, 2009:

I. Conservation of Energy:

A. POWER AND FUEL CONSUMPTION		2008-09	2007-08
I. Electricity			
(a) Purchased Unit	(kwhr)	2088962	1974652
Total Amount	(Rs.)	10311288	9,453,051
Rate/Unit	(Rs.)	4.94	4.79
(b) Own Generation			
(i) Through Diesel Generator Units	(kwhr)	1226027	111025
Units per ltr of Diesel	(kwhr)	3.28	2.88
Cost/unit	(Rs.)	11.01	12.83
(ii) Through Steam Turbine / Generator		Nil	Nil

B. CONSUMPTION PER UNIT OF PRODUCTION

	Standards * (if any)	2008-09**	2007-08**
i. Electricity			
ii. Furnace Unit			
iii. Coal			
iv. Others			

*	Owing to the range of products manufactured and the ever changing product mix, it has not been possible to establish standards relating to consumption of energy per unit of production
**	For the same reasons and as per the Records and Books, maintained by the Company, under the Companies Act, 1956, the Company is not in a position to furnish the required information in the prescribed format for the current year and the previous year

2. Disclosure of Particulars with respect to Technology absorption:

I. Research and Development (R & D)	
(a) Specific areas in which R & D is carried out by the Company	The Company's Research and Development department is involved in the development of synthetic processes and procedures for new active pharmaceutical ingredients (APIs).
(b) Benefits derived as a result of the above R & D	These efforts of the Research & Development department have resulted in the Company being in a position to introduce relatively new medicines in the market. The therapeutic categories to which these medicines belong are antihistamine, antiseizure, anticancer, and dermatology

(c) Future plan of action	The Company is now laying greater emphasis on such Research and Development activities with a result of which there will be continued and increased activity in this field
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(e) Expenditure on R & D:	2005-06	2006-07	2007-08	2008-09
(i) Capital	78.28	102.73	27.94	NIL
(ii) Recurring	66.94	65.34	76.62	87.34
(iii) Total	145.22	168.07	104.56	87.34
(iv) Total expenditure as a percentage of total turnover	2.14%	2.37%	1.21%	084%

3. Technology Absorption, Adaptation and Innovation:

(i) Efforts in brief made towards technology absorption, adaptation and innovation	Several innovative methodologies to prepare new drugs have been developed in-house in the R&D division. These have been absorbed and adopted and made applicable in scale-up operation in pilot plant and manufacturing sections of the Company.
(ii) Benefits derived as a result of the above efforts e.g., product improvement, cost reduction, product development, import substitution, etc	The new drugs so manufactured in the plant, adopting technologies developed in-house, are being offered in international markets where they have found ready acceptance.
(iii) In case of imported technology (imported during the last 5 years from the financial year) following information may be furnished:	
(a) Technology imported:	Nil
(b) Year of import:	Nil
(c) Has the technology been fully absorbed	Not applicable
(d) If not fully absorbed, areas where this has not taken place, reason therefore and future plan of action:	Not applicable

4. Total Foreign Exchange Earnings and Outgo:

	2008-09 Rs	2007-08 Rs
Total Foreign Exchange Earnings	349,531,750	312,719,283
Total Foreign Exchange Outgo	199,073,164	157,387,359
(a) Raw Materials	186,572,876	150,863,630
(b) Other Foreign currency payments		
(i) Travelling Expenses	2,462,114	2,129,247
(ii) Export Promotion Expenses	5,421,772	1,582,503
(iii) Others - Capital import	4,616,402	2,811,979



5. Statement pursuant to Section 212 of the Companies Act, 1956 :

(A)

- (1) Name of the Company : Novosynth Research Labs Pvt. Ltd.,
- (2) The financial year of the Subsidiary : 31st March, 2009
Company ended on
- (3) Date from which it became : 10-8-2001
Subsidiary
- (4) Number of shares held by Bal : 346 shares of Rs. 1000/- each
Pharma with its nominees in the
Subsidiary Company at the end of
the financial year of the
Subsidiary Company
- (5) Extent of interest of Holding : 100%
Company at the end of the financial
year of the Subsidiary Company
- (6) Net aggregate amount of the
Subsidiary Company's profits(loss)
so far it concerns the members of
Holding Company
- a. Not dealt within the Holding
Company's accounts:
- (i) for the financial year : Nil
ended on 31-3-2009
- (ii) for the previous financial : Nil
years
- b. Dealt within the holding
Company's accounts :
- (i) for the financial year : Nil
ended on 31-3-2009
- (ii) for the previous financial : Nil
years

(B)

- (1) Name of the Company : Basav Chem Limited
- (2) The financial year of the Subsidiary : 31st March, 2009
Company ended on
- (3) Date from which it became : 06-12-2007
Subsidiary
- (4) Number of shares held by Bal : 1,00,000 shares of Rs.10/- each
Pharma with its nominees in the
Subsidiary Company at the end of
the financial year of the Subsidiary
Company.
- (5) Extent of interest of Holding : 100%
Company at the end of the financial
year of the Subsidiary Company
- (8) Net aggregate amount of the : Rs. (99,281)
Subsidiary Company's profits(loss)
so far it concerns the members of
Holding Company
- a. Not dealt within the holding
Company's accounts :
- (i) for the financial year : NIL
ended on 31-3-2009
- (ii) for the previous financial : NIL
years
- b. Dealt within the Holding
Company's accounts :
- (i) for the financial year : Rs. (99,281)
ended on 31-3-2009
- (ii) for the previous financial : NIL
years

ANNEXURE II

Statement pursuant to Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975

Sl. No.	Name & Designation	Qualification	Age	Gross Remuneration	Date of Commencement	Total Experience	Last Employment	Share holding
I *	Shailesh Siroya Managing Director	MBA	43	Rs. 36,00,000	01.08.1994	17 years	Business	6.40%

*Mr.Shailesh Siroya is relative of Mr Shrenik Siroya, Non- Executive Director of the Company.

***Remuneration includes all costs incurred by the Company on the respective personnel i.e. basic salary & Allowances etc.

For and on behalf of the Board of Directors

Bangalore
27th July, 2009

Dr. S. Prasanna
Director

Shailesh Siroya
Managing Director